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SUBJECT: CZECH GOVERNMENT'S DOMESTIC CHALLENGES WEIGH ON
THE CZECH EU PRESIDENCY

REF: A. 08 PRAGUE 681

1B. 08 PRAGUE 666

1C. 08 PRAGUE 113

1D. 08 PRAGUE 792

1E. 08 PRAGUE 758

Classified By: AMBASSADOR RICHARD GRABER FOR REASONS 1.4 (B) AND (D).

11. (C) SUMMARY: The Czech government's January 1 assumption of the EU Presidency comes at a time when the Topolanek coalition is at the most precarious position in its two years of existence. The coalition government, which has always been shaky at best, never fully recovered from the sweeping losses during the October regional and senate elections and the extremely divisive February 2008 presidential election. The resurgent opposition has been pressing its advantage and scored two major victories in the parliament in December, when the government could not salvage its foreign deployments legislation, nor its flagship reform of the health care system. It is no longer clear whether the coalition controls a majority of votes in the parliament. With PM Topolanek's botched attempt at a cabinet reshuffle in early January, the coalition has slid even closer toward a crisis. These domestic challenges will distract PM Topolanek and will hinder his government's effectiveness in the EU presidency.
END SUMMARY.

TOPOLANEK'S CRUMBLING COALITION

12. (C) The past year revealed both the tensions and weaknesses within the Topolanek coalition and within each of the three coalition parties. That the Topolanek government was headed for trouble was clear long before the government's disastrous results in the October 2008 senate and regional elections (refs A and B). The bruising February 2008 presidential election in particular left its mark on the coalition and escalated existing divisions within the two smaller coalition parties (ref C). For the Greens, the presidential election was one of the key steps that eventually led to the fracturing of the party's parliamentary caucus. The Christian Democratic party was on the ropes even before February 2008 because of the corruption allegations swirling around the party's chairman, Jiri Cunek. The presidential election only underscored the divisions between the party's two main wings.

13. (C) Topolanek's own Civic Democratic Party (ODS) also began to crumble in 2008, and speculations are rife that the poisoned relationship between President Klaus and PM Topolanek is really the cause of the party's troubles. ODS saw unity within its ranks being gradually sapped by two internal rivalries, which continued throughout 2008. Nominally, the two conflicts pitted Topolanek against 1) former Finance Minister MP Vlastimil Tlusty; and 2) Prague mayor Pavel Bem. However, it is likely that at least to some

extent President Klaus has been using Tlusty, Bem, and others to fight a rear-guard action against Topolanek. Klaus' animosity toward Topolanek has been well known, but it was only after his reelection as president that Klaus put aside the last remaining inhibitions in an effort to undermine Topolanek. While Klaus' overt role in supporting Bem against Topolanek hurt his standing with many in the ODS, a party he founded, it also laid the groundwork for a possible split within the party. It is widely rumored that Klaus is supporting from behind the scenes efforts to create a new right-wing alternative or alternatives to ODS. These efforts, even if only half successful, would damage and potentially split the ODS.

¶4. (C) These intra-party divisions have led over the past year to a relatively new phenomenon in Czech politics: the proliferation of "renegade parliamentarians," or parliamentarians who have left their parties and have become nominally independent. While the original two renegades -- Michal Pohanka and Milos Melcak -- were absolutely crucial to the Topolanek government in winning the January 2007 vote of confidence in the evenly-split parliament, the 2008 trend has not gone in Topolanek's favor. The renegades' "caucus" now includes two former Green and two former ODS parliamentarians, who vote with the government only sporadically. There are also several unofficial rebels in the coalition, who have voted against the government or abstained in a number of crucial votes. In addition, MP Pohanka resigned from the parliament in December 2008 and was replaced by a loyal opposition CSSD MP.

¶5. (C) The various trips across the aisle have meant that

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Topolanek can no longer be certain that he will be able to command a majority on any given day. This became painfully obvious on December 19, when Topolanek lost two crucial votes on foreign deployments and on health care payments (ref D). Indeed, opposition CSSD leader, Jiri Paroubek, has claimed in recent media statements that he has the necessary 101 votes in the lower chamber to win a vote of no-confidence against the Topolanek government. In this situation, Topolanek can no longer rely on what has been until now the coalition's preferred method of governing, i.e. forcing measures through the parliament with little prior effort to reach a compromise with the opposition. We have heard numerous complaints about this political style from the opposition, but also from coalition parliamentarians. For example, the deputy chairwoman of the Christian Democrat's parliamentary club told us that she was disgusted with the strong-arm measures being employed not only vis-a-vis the opposition, but also against some in the coalition.

COALITION RESHUFFLE: A SELF-INFILCTED BLACK EYE FOR TOPOLANEK

¶6. (C) Judging by his performance over the past two months, it is clear that Topolanek has still not managed to regain his footing after the one-two punch of the October senate and regional elections. Despite his win at the ODS congress (ref E), Topolanek appears distracted and reactive, rather than setting the agenda and pushing it forward. A case in point is his completely mishandled attempt to revamp his cabinet. Despite announcing his intention to reshuffle the cabinet after the October elections, Topolanek procrastinated with making the announcement, missing one self-imposed deadline after another. Dragging out the process over two months proved to be destabilizing for the coalition and paralyzing for the ministries likely to be affected by the reshuffle. The uncertainty over some ministers also became a distraction during the last weeks of planning for the Czech EU presidency.

¶7. (C) In the end, the announcement never happened, and whatever good intentions Topolanek may have had in retooling

his cabinet have been overshadowed by the food fight he set off within the Christian Democratic party by proposing to remove the party's chairman, Jiri Cunek, from his cabinet. It is hard to believe that a seasoned politicians like Topolanek would try to remove the leader of the second strongest party within the cabinet without having carefully prepared the ground for such a move. It is even harder to explain why Topolanek is determined to remove Cunek now, when only a year ago he was moving heaven and earth to bring the thoroughly discredited Cunek back into the cabinet against the Greens' strong objections. Topolanek could have simply waited for the Christian Democrats to do the dirty work for him at their next party congress later this year. One can only add this political blunder to the many others that have been caused by Topolanek's chaotic management style, in which there is little room for careful planning and follow-through.

We have seen this problem crop up -- and backfire over and over again -- in areas such as missile defense and, more recently, foreign deployments.

PAROUBEK THE SPOILER

¶8. (C) While the internal coalition and ODS problems would be enough to keep Topolanek busy, he also has to contend with a resurgent opposition, which has sensed an opportunity to capitalize on the government's troubles and the public disenchantment with the government's reform agenda. Since his party's sweeping victories in October, CSSD leader Paroubek has been working very methodically to undermine everything the coalition has recently undertaken. In doing so, Paroubek's focus is purely domestic. Recent polls have given Paroubek's CSSD a 15 percent lead over ODS, a lead that Paroubek is determined to preserve and, if possible, widen before the next parliamentary elections, which would be regularly scheduled in June 2010. Consequently, he views every issue, domestic or international, through the prism of public opinion and domestic political advantage. He has shown no compunction about using issues pertaining to national security, such as missile defense and foreign deployments, as bargaining chips or as a political hammer against Topolanek. Both of the issues have been publicly unpopular, a sufficient reason for Paroubek to feel comfortable that there will be no blow-back against his recalcitrance. Similarly, despite stating earlier that he would be willing to conclude a political cease-fire agreement

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with Topolanek in order to ensure stability during the Czech EU presidency, Paroubek has ruled out such an agreement in more recent public statements, even hinting in one interview that he may try to bring down the Topolanek government during the Czech EU presidency. Paroubek has also stated repeatedly that he will continue to press for early elections. Note: The next parliamentary elections are currently slated for June 2010. Under the Czech constitution, early elections are not easy to call. In the post-1989 period, there has been only one instance of early elections. In essence, both ODS and CSSD would have to agree to call early elections. End Note.

COMMENT: IMPACT ON EU PRESIDENCY

¶9. (C) The current turmoil on the Czech political scene will undoubtedly distract PM Topolanek and his cabinet during one of the most important moments in the country's recent history, the Czech EU Presidency. First and foremost, Topolanek failed to act quickly after his reelection as ODS chairman to put his political house back in order. The fact that he has not been able to conclude his long-promised cabinet reshuffle before assuming the EU Presidency has been disruptive. The current in-fighting among the Christian Democrats has undermined what little coalition cohesion there

was and may impact key ministers like Finance Minister Miroslav Kalousek at a time when he should be concentrating on leading the EU's response to the economic crisis. Even if the current coalition turbulence subsides in the coming weeks, Topolanek's failure to date to conclude a cease-fire agreement with the opposition could impact, for example, the government's ability to lead and participate in EU-related meetings abroad. The opposition's Paroubek has threatened a number of times that he would refuse to pair out traveling ministers with seats in the parliament. In the context of the narrowly divided Czech parliament, this would mean that minister-parliamentarians would be unable to travel. We have heard that some ministers have already had to cancel trips last fall for this reason. In addition, the poisoned relations between Klaus and Topolanek will strain their ability to work together during the EU presidency. Klaus' penchant for anti-EU rhetoric and anti-Lisbon Treaty stance have already raised questions within the EU about the Czech EU Presidency.

¶10. (C) Ironically, what is keeping the coalition together at this point and what is for now holding the opposition at bay is the Czech EU Presidency. In the past, Topolanek stated frequently that if the coalition would lose the ability to implement its reform agenda, it would lose its reason to exist. Now that it is almost impossible to imagine that the cabinet would be in a position to push through further reforms, Topolanek and his cabinet colleagues have been citing the EU Presidency as the reason why the Topolanek government should continue and why early elections would be unthinkable. Nevertheless, the problems outlined above will negatively impact the Czech EU Presidency, which is already off to a bumpy start because the Czechs simply do not have the same clout or capacity as other larger European countries. Case in point is the recent EU mission to the Middle East led by FM Schwarzenberg, which -- in contrast with parallel French efforts -- accomplished nothing. In this and other instances, the apparent French unwillingness to end their EU Presidency will further complicate Czech efforts during their six months in the spotlight.
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